
Washington Suburban Sanitary Commission

MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's Counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

WSSC'S PROPOSED BUDGET

WSSC's proposed budget is not detailed in this document. The Commission's budget can be obtained from WSSC's Budget Group at the WSSC Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707 (phone 301.206.8110) or from their website at www.wssc.dst.md.us.

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's Counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's Counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearings held by WSSC to their respective County Councils.

Each County Council may hold public hearings on WSSC's proposed operating and capital budgets, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each County Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the County Councils fail to approve the budgets on or before June 1 of each year, WSSC's proposed budgets are adopted.

ACCOMPLISHMENTS AND INITIATIVES

* Operate and maintain a system of 3 reservoirs impounding 14 billion gallons of water, 2 major water filtration plants, 7 wastewater treatment plants, 5,500 miles of water main, and 5,300 miles of sewer main 24 hours a day, 7 days a week.

* Treat and deliver 169.5 million gallons of water per day to over 443,100 customer accounts, and treat 207.9 million gallons of wastewater per day in a manner that meets or surpasses all Federal and State water and wastewater quality standards and permit requirements. (WSSC has never had a drinking water violation in its 89 year history.)

* Continue to provide maintenance services at a level consistent with the objective of responding to the customer within 2 hours of receiving notice of a major problem and restoring service to the customer within 24 hours from the time a service interruption occurs.

* Undertake a six-year capital improvement plan that incorporates 10 new projects, and an FY09 capital budget that provides, among other things, for a significant ramp-up in construction work for the Western Branch Enhanced Nutrient Removal Project and the Bi-County Water Tunnel.

* Continue to renew the Commission's underground infrastructure through the (debt-funded) Water and Sewer Reconstruction Programs, reconstructing 27 miles of water main and rehabilitating 51 miles of sewers in FY09, while actively exploring ways to fund an urgently needed expansion of these programs.

* Comply with the Sanitary Sewer Overflow Consent Order.

* Begin a five-year program to implement an Enterprise Resource Planning/Enterprise Asset Management system.

* Fund the second year of a five-year phase-in to achieve full funding for liabilities related to post-employment benefits other than retirement, based on Governmental Accounting Standards Board Statement No. 45, and continue to increase the operating reserve from 5% to 10% of water and sewer rate revenues.

Spending Control Limits

The spending control limits process requires that the Counties set annual ceilings on WSSC's water and sewer rate increase and on debt (bonded indebtedness as well as debt service) and then adopt corresponding limits on the size of the capital and operating budgets. The two Councils must not approve capital and operating budgets in excess of the approved spending control limits unless a majority of each Council votes to approve them. If the two Councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits.

The Montgomery and Prince George's County Councils have adopted different FY09 spending control limits for WSSC. The following table shows the FY09 spending control limits adopted by each of the Councils, compared to the spending control results projected under WSSC's Proposed Budget and the County Executive's Recommended Budget. WSSC's Proposed Budget complies with the spending control limits approved by Montgomery County but exceeds Prince George's County's limit on water and sewer operating expenditures.

FY09 Spending Control Limits Comparison				
SPENDING AFFORDABILITY LIMITS	Approved Spending Control Limits		Projected Levels Under:	
	Montgomery County ¹	Prince George's County	WSSC Proposed Budget	County Executive Recommended Budget
Maximum Average Water/Sewer Rate Increase	9.7%	8.0%	8.0%	8.0%
New Debt (\$millions) ²	\$182.3	\$191.3	\$182.3	\$181.7
Debt Service (\$millions)	\$165.9	\$166.7	\$157.4	\$157.3
Total Water and Sewer Operating Expenses (\$millions)	\$564.3	\$469.1	\$482.3	\$482.2
¹ Assumed the introduction of a new, fixed Infrastructure Renewal Fee (\$20 per month for residential customers) that would be used to fund expanded reconstruction/rehabilitation of WSSC's aging water and sewer mains.				
² New debt includes a system completion factor of 80%.				

FY09 COUNTY EXECUTIVE RECOMMENDATIONS

Capital Budget

Expenditures

Increase FY09 capital expenditures by \$4.814 million: The County Executive's January, 2008 recommendations on WSSC's FY09-14 CIP included a \$4.814 million increase in the total estimated FY09 cost for the five Blue Plains Advanced Wastewater Treatment Plant projects to align with the updated amounts shown by the District of Columbia Water and Sewer Authority (WASA) in its Proposed FY07-16 CIP. The \$4.814 million increase reflects \$5.580 million more in State aid (from the Bay Restoration Fund) offset by a \$723,000 reduction in the need for WSSC bonds and a \$43,000 reduction in the need for payments from the City of Rockville.

The \$4.814 million increase incorporates WSSC's adjustments to WASA's cost estimates for the Blue Plains Enhanced Nutrient Removal (ENR) Project to reduce contributions toward the cost of certain ENR facilities. The ENR costs are subject to further negotiations between WSSC and WASA.

Infrastructure Renewal

WSSC's Proposed FY09 Capital Budget continues to provide debt funding for renewal of the Commission's underground infrastructure. Funds are included for reconstruction of 27 miles of water main and the rehabilitation of 51 miles of sewer main, the same number of miles approved for FY08. WSSC and the two counties will continue to actively explore ways to provide a stable source of funding to underwrite an expansion of the infrastructure renewal program to address the increasingly urgent need to rehabilitate the Commission's aging water and sewer lines.

Operating Budget

Expenditures

Decrease debt service (and operating expenditures) by \$55,600: WSSC's FY09 operating budget is influenced, in part, by the level of expenditures authorized for the first year of the FY09-14 CIP and other expenditures in WSSC's capital budget. The operating budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects, including the reconstruction/rehabilitation of WSSC's underground infrastructure.

The County Executive recommends a \$55,600 decrease in FY09 operating expenditures to reflect the reduced debt service associated with the Executive's recommended adjustments to the cost estimates for the five Blue Plains Wastewater Treatment Plant projects. Under the revised cost estimates for these projects, there will be a \$723,000 decrease in the need for WSSC bonds in FY09, which equates to a \$55,600 reduction in debt service.

Revenues

Decrease the use of fund balance by \$55,600: The \$55,600 decrease in debt service expenditures will result in a corresponding reduction in the need to use fund balance (prior year net revenue).

Fiscal projections for all funds and budgets are shown below. Six year projections for the Water and Sewer Operating Budget are shown in the display on the following page.

PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or John Greiner of the Office of Management and Budget at 240.777.2765 for more information regarding this agency's capital and operating budgets.

Expenditures by Category - FY09 WSSC Proposed and Executive Recommended							
(\$000s)							
Expenditure Categories	WSSC Total	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Chg. (CE Rec. vs. WSSC Proposed)
	Actual FY07	Approved FY08	Proposed FY09	Rec. FY09	Rec. FY09	Rec. FY09	
Salaries and Wages	97,254	109,076	116,293	22,340	93,953	116,293	0.0%
Heat, Light, & Power	20,525	22,271	23,499	--	23,499	23,499	0.0%
Regional Sewage Disposal	39,327	38,627	40,558	--	40,558	40,558	0.0%
Contract Work	64,372	133,335	201,585	201,585	--	201,585	0.0%
Consulting Engineers	15,986	33,374	40,582	40,582	--	40,582	0.0%
All Other	188,657	237,892	264,866	101,218	168,462	269,680	1.8%
Debt Service	<u>218,808</u>	<u>232,880</u>	<u>227,297</u>	<u>64</u>	<u>227,177</u>	<u>227,241</u>	0.0%
Total Budget	644,929	807,455	914,680	365,789	553,649	919,438	0.5%
Note: Expenditures include water and sewer operating funds, interest and sinking fund, and the three capital funds.							

WSSC PROPOSED FY09 BUDGET: SIX-YEAR FORECAST FOR WATER & SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY08 ESTIMATED	FY09 PROPOSED	FY09 CE RECOMMENDED	FY10 PROJECTION	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION
SPENDING AFFORDABILITY ASSUMPTIONS/RESULTS								
New Water/Sewer Debt (\$millions)	145.4	\$182.3	\$181.7	\$219.3	\$226.2	\$251.0	\$200.1	\$248.7
Total Water/Sewer Operating Expenses (\$millions)	\$421.1	\$482.3	\$482.2	\$525.2	\$550.6	\$587.5	\$612.4	\$649.1
Debt Service (\$millions)	\$147.0	\$157.4	\$157.3	\$183.7	\$191.7	\$209.0	\$221.9	\$240.1
Total Water/Sewer Bill Increase	6.5%	8.0%	8.0%	14.1%	5.5%	7.3%	4.4%	6.5%
BEGINNING FUND BALANCE (\$000)	54,217	59,546	59,546	42,973	41,219	41,219	41,219	41,219
REVENUES (\$000)								
Water & Sewer Rate Revenue	376,355	402,672	402,672	460,770	487,655	524,846	549,489	587,069
Interest Income	4,400	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Ready to Serve Charge (Account Maintenance Fee)	22,650	22,850	22,850	23,050	23,250	23,450	23,650	23,850
Miscellaneous	21,566	18,572	18,572	18,596	18,766	18,936	19,106	19,276
Total Revenues	424,971	449,594	449,594	507,916	535,171	572,732	597,745	635,695
SDC Debt Service Offset	2,711	2,612	2,612	2,498	2,398	2,293	2,192	1,428
Reconstruction Debt Service Offset	12,000	12,000	12,000	11,500	11,500	11,000	11,000	10,500
Use of Prior Year Net Revenue	10,890	18,073	18,017	3,254	1,500	1,500	1,500	1,500
TOTAL FUNDS AVAILABLE	450,572	482,279	482,223	525,168	550,569	587,525	612,437	649,123
EXPENDITURES (\$000)								
Salaries and Wages	83,100	93,290	93,290	97,956	102,855	107,999	113,400	119,071
Heat, Light, and Power	22,271	23,499	23,499	24,507	25,813	28,957	30,149	31,385
Regional Sewage Disposal	38,627	40,558	40,558	42,010	43,527	45,534	47,628	49,809
Debt Service	147,000	157,363	157,307	183,749	191,723	209,025	221,912	240,116
All Other	144,855	167,569	167,569	176,946	186,651	196,010	199,348	208,742
Unspecified Reductions								
TOTAL USE OF RESOURCES	435,853	482,279	482,223	525,168	550,569	587,525	612,437	649,123
REVENUE/EXPENDITURE SURPLUS/(GAP)	14,719	0	0	0	0	0	0	0
YEAR END FUND BALANCE w/o additional \$1.5 m reserve	58,046	41,473	41,529	39,719	39,719	39,719	39,719	39,719
Additional \$1.5 million Reserve Annual Contribution	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TOTAL YEAR END FUND BALANCE	59,546	42,973	43,029	41,219	41,219	41,219	41,219	41,219
Debt Service as a Percent of Budget	33.7%	32.6%	32.6%	35.0%	34.8%	35.6%	36.2%	37.0%
Estimated Water Production (MGD)	171.0	169.5	169.5	170.0	170.5	171.0	171.5	172.0
5% Reserve (water and sewer revenue)	18,818	20,134	20,134	24,383	26,242	27,474	29,353	29,353
Accumulated Add'l Reserve - \$1.5M annual contribution since FY04	7,500	9,000	9,000	10,500	12,000	13,500	15,000	16,500

Assumptions:

- FY10-14 reflects WSSC's multi-year forecast and assumptions which are not adjusted to conform to the County Executive's Recommended CIP for WSSC. The projected future expenditures, revenues, and fund balances may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed here.
- The FY08 Estimated figures are based on WSSC's FY2008 Monthly Status Report for December, 2007, plus additional information provided by Budget Group staff.
- The County Executive's operating budget recommendation is for FY09 only and incorporates the revenue and resource assumptions of that budget.
- The FY09 Proposed spending affordability assumptions are the limits approved by the Montgomery County Council for FY09. (Prince George's County adopted different limits.) All other spending affordability figures correspond to the actual results for the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.

WSSC ORGANIZATION CHART

(March 2008)

